

A Canadian biotech giant is born: AbCellera stock triples in debut, company now worth US\$15-billion

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An AbCellera Biologics Inc. scientist at work at one of the company's labs.

ABCELLERA/COURTESY OF MANUFACTURER

AbCellera Biologics Inc. ([ABCL-Q \(/investing/markets/stocks/ABCL-Q\)](#), -12.84% ▼) had one of the most explosive debuts of any initial public offering this year as stock of the Vancouver antibody developer – a key player in the fight against COVID-19 – nearly tripled in value on its first day of trading on Friday.

The stock, which the company and its advisers priced late Thursday at US\$20 a share, opened on the Nasdaq Stock Market on Friday at US\$61 and closed at US\$58.90, giving it a market capitalization of US\$15.7-billion – more than George Weston Ltd., Power Corp. of Canada and Imperial Oil Ltd. – and up 40-fold from AbCellera’s valuation in a private financing last spring.

The IPO will raise US\$483-million in gross proceeds from investors and likely exceed US\$550-million if underwriters Credit Suisse, Stifel Nicolaus, Berenberg Capital Markets, SVB Leerink and Canada’s BMO Capital Markets exercise their option to buy 3.62 million shares. That would be more than twice as large as the largest previous Canadian biotech IPO, by Repare Therapeutics Inc. in June.

The offering established AbCellera as Canada’s most valuable public biotech company by a wide margin before it even traded. Fewer than two dozen biotech companies anywhere are worth more than US\$10-billion, and AbCellera is worth more than the combined market value of Canada’s 50-odd publicly traded drug developers.

AbCellera’s IPO comes at the end of a big week for new issues and caps a year in which Canada’s biotech sector has set records for public and private funding. Several Canadian companies, including [Acuitas Therapeutics](#), IMV Inc. and Medicago Inc., are also involved in developing COVID-19 treatments.

“We’re in a golden age in biotech in Canada,” said Dion Madsen, a partner with Canadian biotech financier Amplitude Venture Capital, which vied unsuccessfully to invest in AbCellera early this year.

What’s missing is Canadian investors. Outside of a handful of Quebec institutions, few domestic fund managers have invested in the sector. It’s telling that not only did AbCellera list on a U.S. exchange, but Canadian investors weren’t eligible for the most part to buy into the IPO.

That upset Toronto retiree Ron Buston, who had asked his broker at BMO if he could invest in the issue. Mr. Buston said the broker told him the IPO was for BMO’s U.S. clients only. “I think it sucks to be told a Canadian company will not be available to Canadian buyers,” he said.

AbCellera’s offering was 20 times oversubscribed and had big-name investor support pre-IPO, including Silicon Valley billionaire investor and AbCellera board member Peter Thiel, and top biotech investors DCVC Bio, Viking Global Investors and OrbiMed. L.A. fund giant Capital World Investors said it would buy 20 per cent of the IPO.

The deal is a windfall for them all. DCVC paid US\$18.2-million for 29.1 million shares now valued at US\$1.7-billion, while Mr. Thiel’s stake is worth US\$686-million. The IPO made chief executive officer Carl Hansen a paper billionaire several times over, and co-founder and chief operating officer Véronique Lecault’s 9.8 million shares are worth US\$577-million.

AbCellera has emerged as a leading early-stage company in the race to bring COVID-19 treatments to market. In May, it partnered with drug giant Eli Lilly and Co. to produce an antibody-based drug for COVID-19 patients called bamlanivimab. U.S. and Canadian regulators authorized the treatment in November for emergency use, and their governments have ordered 950,000 and 26,000 doses respectively.

But AbCellera is not hanging its fortunes on a single drug for a pandemic that will end. It says its platform can continuously spin out antibody treatments for a range of ailments and that it has partnered with drug makers on 94 drug-discovery programs, signing 71 deals in which it will earn research fees, milestone payments and eventually royalties as molecules advance from the lab to the market. AbCellera also has an Australian division developing its own treatments. AbCellera has more than doubled revenues annually, on average, since 2014, bringing in US\$25.2-million during the first nine months of this year and generating a US\$1.9-million profit, the company said in its registration statement with the U.S. securities regulator.

AbCellera was spun out in 2012 from the University of British Columbia’s interdisciplinary Michael Smith Laboratories, where Dr. Hansen ran the bioengineering group. Using technology developed at the lab, AbCellera speeds up the process of isolating and identifying antibodies that humans create to fight infections. Its “antibody discovery engine” passes blood samples from a

person who has developed an immunity to a disease through a credit-card-sized device with hundreds of thousands of tiny chambers. With the help of artificial intelligence, it tests antibodies produced by cells in each chamber simultaneously, to determine which have potential to become drugs.

AbCellera used its ability to unearth antibodies quicker and more cheaply than conventional methods to work in the mid-2010s with partner MassBiologics on projects funded by the U.S. Defense Department's Defense Advanced Research Projects Agency (DARPA). The agency, famed for funding the creation of the internet, voice-recognition software and unmanned drones, focused on efforts to rapidly find medical responses to pandemics a decade ago, after the H1N1 outbreak.

In 2018, AbCellera got US\$30.6-million from DARPA to lead one of four research groups aimed at developing antibody treatments for pandemics. Antibodies can temporarily immunize people and help fight the virus in an infected person. AbCellera also received \$4.8-million from the Bill and Melinda Gates Foundation and \$175.6-million from the Canadian government to build antibody therapies for pandemics.

That DARPA exercise turned into a race against time as the virus that causes COVID-19 spread. Within three days of receiving a blood sample from a recovered patient on Feb. 28, AbCellera researchers isolated hundreds of antibody candidates. They cut that to 24 within three weeks, partnered with Eli Lilly, and within 90 days, bamlanivimab was in clinical trials. "You could work in science and technology your entire life and not have an opportunity to do work as important on the world stage, when there is such an intense and urgent need for success," Dr. Hansen told The Globe and Mail in May.

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